

Strategic Management for Competitive Advantage
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Lecture - 02
Introduction and Concept - II

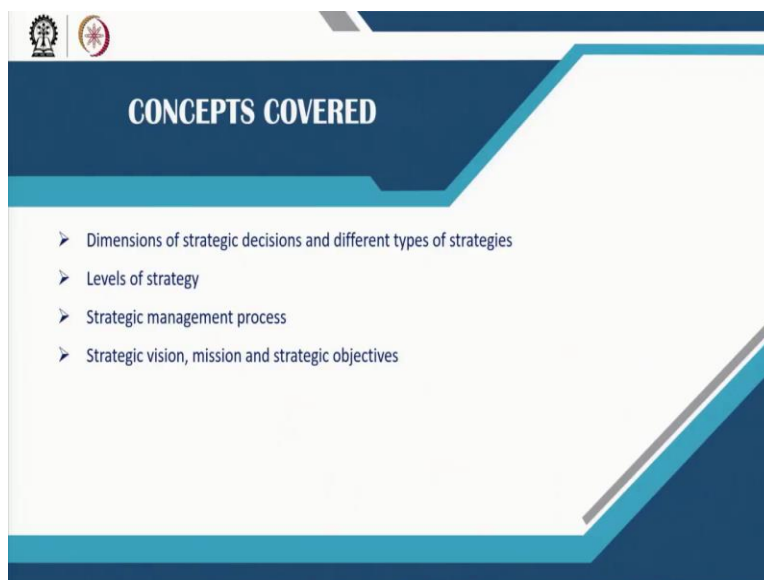
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The slide features a blue header with two logos: the Indian Institute of Technology Kharagpur logo on the left and the Vinod Gupta School of Management logo on the right. Below the header, the text reads: "NPTEL ONLINE CERTIFICATION COURSES", "Strategic Management for Competitive Advantage", "Prof. Sanjib Chowdhury", "Vinod Gupta School of Management, IIT KHARAGPUR". At the bottom, it specifies "Module 01: Introduction to Strategic Management" and "Lecture 02 : Introduction and Concept -II".

Welcome to lecture number 2 of Introduction and Concepts. In the last class, we talked about the genesis of the strategy and the evolution of strategic management.

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The slide has a blue header with two logos: the Indian Institute of Technology Kharagpur logo on the left and the Vinod Gupta School of Management logo on the right. The main title is "CONCEPTS COVERED". Below the title, there is a list of four bullet points:

- Dimensions of strategic decisions and different types of strategies
- Levels of strategy
- Strategic management process
- Strategic vision, mission and strategic objectives

In this lecture, we will start with the dimensions of strategic decisions and different types of strategies, the levels of strategy, strategic management process, strategic vision, mission and strategic objectives. All these things we will be covering in this lecture.

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Strategic Management: Introduction & Concept

- Comparison between Operating and Strategic decisions
- Difference between LRP and strategic planning
 - Focus: present business, annual profit, less risk
 - Focus: growth, future profit, high risk

Comparison of Operating and Strategic Decisions

		Strategic Decisions	
		Clear	Unclear
Operating Decisions	Effective	I ?	II ?
	Ineffective	III ?	IV ?

Source: Tragoe B. & Zimmerman J. (1980), Top Management Strategy, John Martin, London

So, we will now be talking about, what is the comparison between the operating and the strategic decisions? What is the difference between operations decisions and strategic decisions? If you see this diagram, you will see that strategic decisions are generally conceptual. Since it is at the higher levels, it may be clear or unclear, and not always measurable. Whereas the operating

decisions are said to be the day-to-day functional level decisions and may be effective or ineffective.

Now, if your strategic decisions are clear, and operating decisions are effective, it means that your strategy has worked in the past and has given you the results and even in the future, it will succeed.

So, now, if your strategic decisions are unclear, and operating decisions are also ineffective, it means that your plan has not succeeded in the past and it will not succeed in the future either.

Then, if your strategic decisions are unclear, but operating decisions are effective, it means that your plan might have succeeded in the past, but that does not ensure that it will be succeeding in the future. It is doubtful that it will succeed.

Now, if your strategic decisions are clear, but operating decisions are ineffective, it means you might have tasted success for a short period in the past, but success in the future is doubtful. So, these give you comparisons of strategic decisions and your operating decisions.

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The slide is titled "Strategic Management: Introduction & Concept". It features a background with a stylized tree of icons and a blue atom symbol. The content includes:

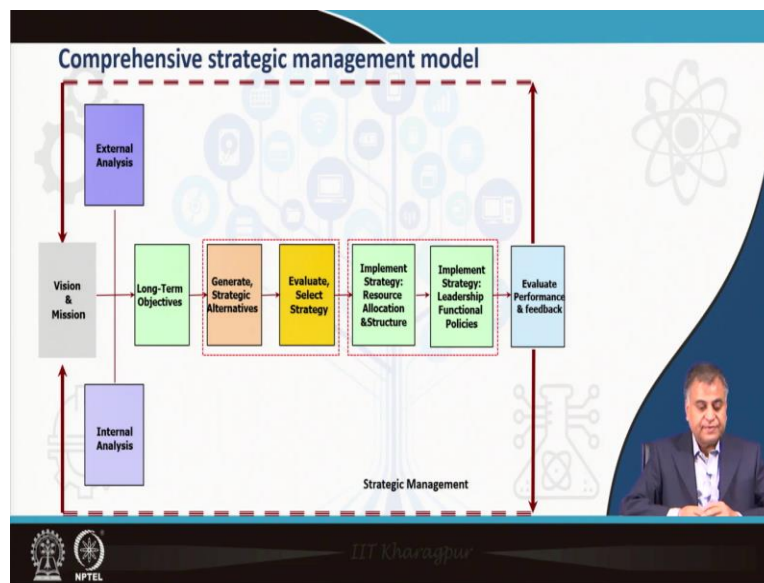
- Comparison between Operating and Strategic decisions
- Difference between LRP and strategic planning
 - Focus: present business, annual profit, less risk
 - Focus: growth, future profit, high risk

The slide also includes a small video inset of a man in a suit in the bottom right corner. At the bottom, there are logos for IIT Kharagpur and NPTEL.

Now, we will be talking about what is the difference between a long-range plan and a strategic plan. In the long-range plan, your focus is on the current or the present business, your focus is mostly on the annual, short-term profit and is generally less risky.

And under the strategic plan, the focus is on growth i.e., future profit. It may not be profitable today, but it will give you profit after some time and it will be a sustained profit. Naturally, the strategic plan is associated with a high degree of long-range plan. So, these are the difference you will find between a long-range plan and a strategic plan.

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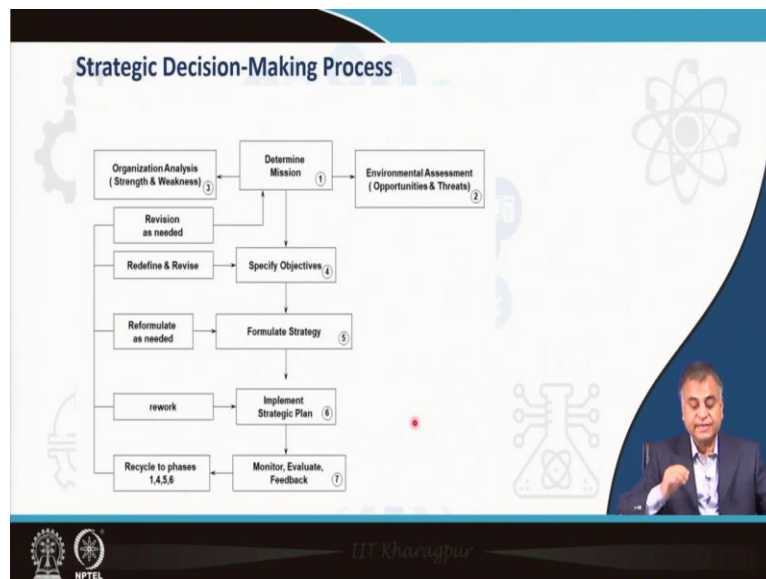
Now, this diagram shows you a comprehensive strategic management model. This is the strategic planning one wants to do. This is the process one has to follow, first, there is a vision and mission statement, this is top-down and given by the apex body - it comes from the top management. Vision and mission statement guide the organization - how you proceed to make your strategic plan. First, you do a situational analysis. That is, you do the external environment analysis and internal environmental analysis; we will talk about this in the subsequent modules.

Then based on these you develop your long-term strategic objectives for the organization, then you formulate your strategy. Formulating a strategy are of few steps. You generate many strategic alternatives, then evaluate those alternatives and choose an appropriate strategy - that is, selection of strategy; these two boxes are the formulation. Then after you formulate, what you do to implement the strategy? Under the implementation of strategy, what is required? Inputs are required or your resources.

So, after you allocate resources, you need a conducive structure i.e., an appropriate structure of the organization to implement that strategy. So, the structure is also important, then you require leadership skills because these strategy implementations also require handling different groups, handling different people, and functional policies have to be developed.

So, these are the implementation stages. After implementing you evaluate your performance, how the strategy is working, and evaluate the performance of the organizations, KPMs and all. You track, monitor and get feedback for the course corrections. It goes this way of having a strategic planning process; this is called a comprehensive strategic management model. So, we will cover each of these boxes in subsequent modules. So, this will be very useful.

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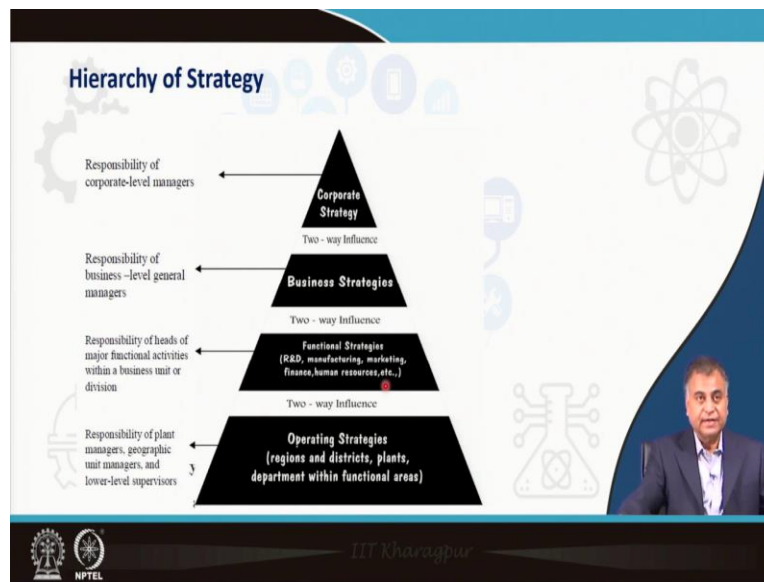


So, this strategic decision-making process is similar to the determination of the mission i.e., top-down, based on that, you do an external environmental assessment to find out the opportunities and threats, and an internal organization analysis to know your strength and weakness. This is the situational analysis based on which you specify your long-term objectives, and based on this long-term objective you formulate a strategy.

After formulating a strategy, you implement your strategic plan. Then monitor, evaluate and take feedback for adjustment or revision of mission statement, revision of specific objectives,

formulation of strategy and implementation of the strategy. These are the strategic decision-making process.

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Next, we will be talking about the various levels of strategy. This is called the hierarchy of strategy. Under this strategy hierarchy, there are four levels; one is the corporate level, which is the corporate strategy. This is responsibility of the top management, i.e., the CEO and board of directors.

So, what does it do, it gives overall directions to the organization i.e., how the organization will move, and it is generally long-term. So, then, the next level is the business-level strategy. Business level strategy is the responsibility of business units or products or services. It is the general managers or the business unit heads who carry out these business-level strategies. This is done for keeping your organization in a particular competitive position. You aim for business to get a particular competitive positioning. It is being done through business strategy.

There are functional strategies like (each group) manufacturing, marketing strategy, finance strategy, human resource strategy, and supply chain management strategy, all these are the responsibilities of the functional heads. So, these are the functional strategies,

Then at the lowest level, it is the operating strategy. Like under the functions they may be distributed over the region or over the districts, and there may be a different department within the functional strategies. So, these are the various levels of strategy in an organization.

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The slide is titled "Characteristics of different levels of Planning". It features a central graphic of a tree with various icons (gears, a hard hat, a beaker, a person) and a list of characteristics for each level. The Corporate level is characterized by being Conceptual and Operational, Measurable and non-measurable, having a long Time horizon (periodic, annual), being Innovative and action-oriented, involving high Risk, profitability, and cost, and requiring high Cooperation. The Business level is a mixture of conceptual and operational, moderately measurable and non-measurable, with a shorter time horizon and lower risk. The Functional level is primarily operational, measurable, and has a short time horizon.

Level	Characteristics
Corporate level	- Conceptual, Operational - Measurable, non-measurable - Time horizon, periodic, annual - Innovative, action-oriented - Risk, profitability, cost - Cooperation
Business level	- Conceptual, Operational - Measurable, non-measurable - Time horizon, periodic, annual - Innovative, action-oriented - Risk, profitability, cost - Cooperation
Functional level	- Conceptual, Operational - Measurable, non-measurable - Time horizon, periodic, annual - Innovative, action-oriented - Risk, profitability, cost - Cooperation

To discuss more on this, we will be showing what we found at the corporate level, business level, and functional level. Under the functional level, there is the operational level, which is the day-to-day work, line functions and all.

So, here at the corporate level, the strategies are more conceptual, non-measurable, and is having a longer time horizon. Again, it is more innovative in nature and the degree of risk is very high. Profitability and cost for corporate-level strategies are also very high.

So, the cooperation required from the different stakeholders is also very high for the corporate-level strategy. Under the Business level strategy, some part is conceptual, but others are the business part, which is operational.

So, it is a mixture of conceptual and operational. These are moderately measurable and moderately non-measurable. Some parts that are conceptual are non-measurable, but the operational parts are measurable and it happens periodically. The business level strategy basically tries to keep your organization's product or business in a competitive position. It is

periodic in nature and is action-oriented. Again, the risk, profit and cost are moderate between the corporate level and functional level.

Then the functional level strategies are purely operational and are measurable. It is measured annually, i.e., it has an annual plan, annual target, annual incentives and all these are based on this functional level and operational level strategy. This is action-oriented, and the risk, profitability and cost are lower than the business level and corporate level. The cooperation required is also lower than the corporate level and business level. This functional level or operations level is the basic building block for the business level and corporate level strategy. So, these are the characteristics of different levels of planning.

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Kinds of Strategies

- Stability strategy
- Growth strategy
 - Mergers & Acquisition
 - Joint Ventures
 - Expansion – Greenfield and Brownfield
 - Outsourcing, Franchising
 - Vertical Integration
- Retrenchment strategy
 - Turnaround strategies
 - Divesture, Liquidation
- Generic strategies
- Dependency reduction strategy
- Blue ocean strategy, red ocean strategy

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Next, we will be discussing on what are the different types of strategy. So, these are just a few indicative ones, we will show. There may be a stability strategy; we will discuss it in future lectures. There may be growth strategies, what are growth strategies? It may be merger and acquisition, joint ventures, growth through expansion like Greenfield expansion or brownfield expansion, growth through outsourcing, franchising or vertical integration.

Then there may be a retracement strategy i.e., reducing your activity. It may be turnaround strategies, divestiture and liquidation strategies. So, there is something called generic strategy, which are of five types.

Then there may be a dependency reduction strategy. Suppose you have only one (single) vendor, who supplies a very strategic material for your organization, and depending on one (unreliable) vendor is very risky for your organization, for this dependency reduction strategy is adopted. Then there may be a blue ocean strategy, a red ocean strategy. The Blue Ocean strategy is you go to an unexplored market or the unexplored segment or you create a product which is innovative. So, you have your new market, new segment, and new product.

The red ocean strategy is that you are in the fiercely competitive, existing market and your market share and profitability are at the cost of the competitors. So, all these are different types

of strategies, these are not exhaustive - but indicative. Many of these strategies we will be discussing in the future modules.

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The slide is titled "Strategic Management: Introduction & Concept". It contains three bullet points: "What is Vision?", "What is Mission? - What are its purposes and features?", and "What is Strategic Objective?". A central diagram shows a pyramid with three levels: "Vision" at the top, "Mission" in the middle, and "Strategic objectives" at the base. To the right of the pyramid, there are two vertical double-headed arrows. The left arrow is labeled "General" at the top and "specific" at the bottom. The right arrow is labeled "LT" (Long Term) at the top and "ST" (Short Term) at the bottom. The slide also features a background graphic of a tree with various icons and a small inset video of a man in a suit in the bottom right corner. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

Now, coming to an important topic, you have heard about the mission, vision, strategic objectives of an organization. So, what is a vision? What do you understand by vision of an organization?

A vision is, what an organization or a company aspires to be in the distant future, what an organization wants to be in the distant future, what is its dream, and what it aspires for. These are the vision of the organization (statement).

Then comes the mission statement, what is the mission statement? And what are its purposes and features? A mission statement is one which tells you why the company exist, how it fits in society, how it contributes to society, how it contributes to the country's welfare, what business is it in, and is this business compatible with the societal needs or not. A mission statement must address all these issues and a mission statement usually should be very precise, very terse, and unambiguous and should be distinct. The mission statement should be very simple and understandable by all concerned (persons). These are some basic needs for developing a mission statement.

Then comes, what is a strategic objective? The strategic objective is to operationalize the mission statement. So, if we draw, the relationships come out like this, the vision statement is at the top followed by the mission statement. Vision is what the organization aspires for in the distant future and the mission is, why does the company exist? How does it fit into society? What business is it in?

Strategic objectives are for operationalizing the mission statement. So, if you see in the top, it is more general and as you go down strategic objectives and all will be more specific. Similarly, the time horizon - it is a long term, as you come down - it is of shorter term. So, these are the relationships between the vision, mission and strategic objectives.

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Vision and Mission (e.g., a major oil Co.) Illustrative

VISION

- To be a **world class** Oil & Gas Company **integrated in energy business** with **dominant Indian leadership** and global presence

MISSION

World Class

- Dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people.
- Imbibe high standards of business ethics and organisational values
- Abiding commitment to health, safety and environment to enrich quality of community life.
- Foster a culture of trust, openness and mutual concern to make working a stimulating and challenging experience for our people.
- Strive for customer delight through quality products and services

Integrated in Energy Business

- Focus on domestic and international oil & gas E&P business opportunities
- Provide value linkages in other sectors of energy business.
- Create growth opportunities and maximise shareholder value

Dominant Indian Leadership

- Retain dominant position in Indian Petroleum sector and enhance India's energy availability

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Now, I will show you vision, mission statement of a major oil company just to give you an idea (illustration). You can just see - you can go through the vision and mission statement of that organization.

Vision statement: to be a world-class oil and gas company integrated into the energy business and dominant Indian leadership. You can see it is a world-class integrated energy business, the dominant Indian leadership. This is how you become a world-class company these are given in your mission statement, dedicated to excellence by leveraging competitive advantage in R&D

and technology with involved people, imbibe high standards of business ethics and organizational values. So, these are the ways how to become world-class.

In order to become integrated into the energy business; focus on domestic and international oil and gas E&P business (exploration and production business) opportunities, then how do you become the dominant Indian leaderships? You retain a dominant position in the Indian petroleum sector and enhance India's energy availability. So, you can see - this is just an illustrative one, you can go through many large and reputed companies' vision and mission statements, and it will be much clearer to you.

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Vision and Mission statements

Johnson & Johnson

Vision

- To help people see better, connect better, live better

Mission

- Bringing science and sense of sight to life through world-class innovation and customer experience

Tesla

Vision

- To accelerate the world's transition to sustainable energy

Mission

- To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles

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Further to the vision and mission statements that we have seen in the last slide, that was about a major oil and gas company. Now, we will show you some more vision and mission statements of some reputed companies in diversified fields of different sectors. These will give you a broad perspective of this vision and mission statement. See this is the vision and mission statement of Johnson and Johnson. The vision of Johnson and Johnson is to help people see better, connect better and live better.

This is a very simple and very powerful one. It connects with helping people with a better life and all and is a very broad vision. Then similarly, the mission is to bring science and sense of sight to life, through World Class innovations and customer experience. So, it clearly says what

business they are in and what they want to be. Its mission is they want to have - world-class innovations and customer experience. I will talk about it further a little later. This is a pharmaceutical and health care industry.

So, let us see another industry. Tesla as we know is an electrical car vehicle and they are coming in a big way. Just see their vision is to accelerate the world's transition to sustainable energy. It is a very powerful vision that they are transitioning to, because they are now global leaders as they are now going from IC engines to electric vehicles. Its mission is to create the most compelling Car Company of the 21st century by driving the world's transition to the electric vehicle.

So, it shows what business they are in and its vision identifies them as what they want to be in the future, and also what purpose they will be serving for the company and to the world. So, these are embedded in the mission statement. Anyway, we will talk about some other visions and missions, then we will be talking further on this.

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Vision and Mission statement
Nike

Vision

- Bring inspiration and innovation to every athlete* in the world

Mission

- Create groundbreaking sports innovations, make our products sustainably, build a creative and diverse global team, and make a positive impact in communities where we live and work

The slide features a central tree diagram with various icons (gears, atom, hard hat, circuit) and a small video inset of a man in a suit in the bottom right corner. Logos for IIT Khargapur and NPTEL are visible at the bottom.

This is the vision and mission statement of Nike. The vision statement is to bring inspiration and innovation to every athlete in the world. They want to be the inspiration and bring innovation to every athlete in the world.

And they have defined athletes, the athlete is not very confined to those who are physically strong and are involved in sport. They defined an athlete as anyone who has a body. So, they have enlarged the market and the environment.

So, the athlete is for their terms anyone who has a body, they will be requiring their product. So, this is a powerful vision. And the mission is to create groundbreaking sports innovation, make our products sustainably, build a creative and diverse global team and make a positive impact on the communities where we live and work.

So, it says, how does it fit in the global community, not only in one country's community and all. These are the very essence of a mission statement. The mission statement says how does it fit, why the company exist, and how it fits in society. So, that way, this satisfies most of the elements of a mission and vision statement.

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Vision and Mission statements

Microsoft

Vision

- To help people and businesses throughout the world realize their full potential

Mission

- To empower every person and every organization on the planet to achieve more

Amazon

Vision

- To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online

Mission

- We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience

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Now, let us see some other - two from another field. Say, Microsoft's vision is to help people and businesses throughout the world realizing their full potential. It is a very powerful vision like throughout the world they are the global leaders. They are realizing the potential of humanity like the entire citizens of this globe. So, they want to realize their full potential which is nothing but their vision.

The mission is to empower every person and every organization on the planet to achieve more. So, they are integrating it with every people in the world, not only a country, every organization on the globe, on the planet, to achieve more. They are enhancing the entire system, entire global industries, and global people. So, these are seen naturally as they will fit in the society and what business they are in are all embedded in this powerful vision and mission statement.

Now, you see Amazon, another area i.e., e-commerce. Its vision is to be Earth's most customer-centric company. So, it says they are a customer-centric company, where customers can find and discover anything they might want to buy online. They have expanded their operations, they expanded what they want to aspire to be, and this is their aspiration. Then their mission is that “we strive to offer our customers the lowest possible prices, the best available selection and the utmost convenience.”

So, what purpose do they serve, is one of the ingredients of a mission statement. What purpose does a company serve for the society are embedded in it. All these companies like Johnson, Nike, Microsoft, Amazon and Tesla, incorporate all the textbook concepts of how should the vision and mission statements be integrated.

Moreover, one more thing, vision and mission statement as I told you in the last lecture, should be simple, precise, unambiguous, and understood by all. As you see, it is so simple, understood by everyone, very precise. All these you see also satisfies the characteristics of the vision and mission statement.

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Vision and Mission statements

Johnson & Johnson

Vision

- To help people see better, connect better, live better

Mission

- Bringing science and sense of sight to life through world-class innovation and customer experience

Tesla

Vision

- To accelerate the world's transition to sustainable energy

Mission

- To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles

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So, these are some of the further examples of visions and missions' statement. So, you can get the idea of how to develop a vision and mission statement and what are the attributes or characteristics a vision and mission statement should have.

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CONCLUSION

- This chapter explains the strategic planning process, stimulus for strategy, various kinds of strategy, and characteristics of different level of strategies such as corporate-, business-, functional- and operational levels.
- The importance of vision, mission and strategic objectives of an organization for future growth has also been elicited.

So, to summarize today's lecture, in this chapter, we have explained how to make a strategic planning process, how to develop a strategic plan, what are the stimulus for strategy, what are the triggering points for change in strategy in an organization. Also, the various kinds of strategies

that are available in the strategic management and the characteristics of different level of strategies such as corporate level strategy, business level, functional level and operational level strategies. We have also discussed the importance of vision, mission and strategic objectives of an organization for its growth.

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So, thank you very much. Before that, I will just show you the references. These are the reference books you can follow. And these are the best books in the world. So, it will help you in your growth of knowledge. Thank you very much.